



Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN EARTHGRAINS COMPANY'S ACQUISITION OF METZ HOLDINGS, INC.

Companies Required to Divest White Bread Brands in Iowa, Kansas, Missouri, Nebraska, and Illinois

WASHINGTON, D.C. -- The Department of Justice will require two commercial baking companies, The Earthgrains Company and Metz Holdings Inc., to sell two brands of white pan bread in order to resolve the Department's antitrust concerns involving their proposed \$625 million merger. The required divestitures will take place in Iowa and portions of Kansas, Nebraska, Missouri, and Illinois.

White pan bread, which is commonly used for sandwiches, is bread made from enriched white flour and baked in flat, deep-walled pans.

The Department's Antitrust Division filed a lawsuit and proposed consent decree today in U.S. District Court in Chicago. The consent decree, if approved by the Court, would resolve the lawsuit and the Department's competitive concerns surrounding the merger.

According to the complaint, the proposed acquisition would have substantially lessened competition in sales of white pan bread in the cities of Des Moines, Iowa, Kansas City, Missouri, and Omaha, Nebraska, as well as in surrounding areas in Iowa, Kansas, Missouri, Nebraska, and Illinois. In each of these areas, Earthgrains and Metz compete directly in the production, marketing, and sale of white pan bread, and are two of only a small number of companies selling white pan bread. The acquisition of Metz by Earthgrains, as originally proposed, would have reduced the number of white

pan bread competitors from three to two in Kansas City, Omaha and surrounding areas, and from four to three in Des Moines and surrounding areas.

"Without these divestitures, families with children--the primary consumers of white pan bread--would have faced higher prices throughout much of the Midwest," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division. "The divestitures required by the consent decree will ensure that these families will continue to benefit from a competitive market for this basic dietary staple."

Under the consent decree, Earthgrains and Metz must divest Earthgrain's Colonial brand and Metz's Taystee brand of white pan bread. Earthgrain's Colonial brand is sold throughout Iowa and in several counties in northeastern Kansas, northwestern Missouri, eastern Nebraska, and western Illinois. Metz's Taystee brand is sold in northeast Kansas and northwest Missouri. In addition to the divestiture of the Colonial and Taystee brands, the decree also permits the Department to require the companies to divest Earthgrain's Des Moines bakery and other assets related to the distribution of white bread in the area.

Earthgrains, a Delaware corporation, is headquartered in St. Louis, Missouri. Earthgrains operates 43 commercial bakeries throughout the U.S., and its bread production and sales are concentrated primarily in the South and Midwest. In the areas covered by the consent decree, Earthgrains markets white pan bread under the brand names Colonial and IronKids, in addition to producing bread for private labels. In 1999, the company had sales of \$1.92 billion.

Metz, a Delaware corporation, is headquartered in Sioux City, Iowa and is a wholly owned subsidiary of Specialty Foods Corporation, a Delaware corporation headquartered in Deerfield, Illinois. Metz produces and sells white pan bread throughout the Midwest. In the

areas covered by the consent decree, Metz markets white pan bread under the brand names of Taystee, Pillsbury, and Old Home, in addition to producing bread for private labels. In 1999, Metz had total annual revenues of over \$600 million. Specialty Foods is a privately held concern that owns several baking companies in addition to Metz.

As required by the Tunney Act, the proposed consent decree resolving this lawsuit, along with the Department's Competitive Impact Statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to:

J. Robert Kramer
Chief, Litigation II Section
Antitrust Division
U.S. Department of Justice
1401 H Street, N.W., Suite 3000
Washington, D.C. 20530

At the conclusion of the 60-day comment period, the Court may enter the consent decree upon a finding that it serves the public interest.

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